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I think most of us would agree that there are few expenditures that are more important in our lives than health care. The birth of a child... the surgery that opens a clogged artery... inoculation from a deadly disease. There are few events more important in one's life.

So I think we would also probably agree that what we're all really here to discuss today is the problem of **unnecessary** health care costs, those costs that could be prevented under the right set of circumstances. I'd like to discuss what those costs are, and how we can come together as a community to prevent them.

So what types of costs are unnecessary? When people seeking health care don't have the right financial incentives to seek value for their dollar, **those costs are unnecessary**. When hospitals have to increasingly turn to temporary staffing agencies to find health care professionals, **those costs are unnecessary**. When Wisconsin businesses and workers have to subsidize shortfalls in government programs more than nearly any other state, **those costs are unnecessary**.

In other words, **spending on health care that doesn't bring about an increase in value**, is unnecessary.

I want to concur with those speakers who have spoken in more detail today about some of these key contributing factors to unnecessary health care costs. For example, while the nursing shortage has received some attention recently, it is important to realize that our shortage of health care professionals goes far beyond nurses, to include pharmacists, rad techs, and many other health professions. The result is not just higher salaries, but more overtime and greater reliance on temporary staffing agencies to get the job done.

Others will go into more detail today on government payor shortfalls, but I want to highlight what this issue means to Aurora Health Care. In 2000 government shortfalls for Aurora Health Care alone totaled \$883 million dollars. When you add the shortfalls of other providers in this state, it is an incredible undue burden that is borne by the private sector.

However, the area of **unnecessary** cost that I'd like to emphasize most today is the lack of care coordination for people with chronic diseases. Let me share a startling fact: Only 6% of the population would be considered to suffer from chronic or catastrophic conditions. **Yet this 6% of the population consumes 57% of the overall cost of health care** in our society. We need to do a better job building partnerships with patients, employers, government and health care providers, to better manage the costs of this small but critical population.

That means many things need to change, including:

Individuals need to take more accountability for their wellness

Employers and insurers have to incentive the right behaviors as benefits are structured

Government payor programs need to build case management into their programs, and not simply pay bills in the same way, sometimes incentivizing the wrong behaviors.

Last, but not least, ***health care providers*** need to become better coordinated. Hospitals, physicians, pharmacists and others need to do a much better job communicating with each other and working together.

Often the construction of health care facilities becomes an easy target for blame of health care costs. It's important to realize that facilities need to be modernized if health care delivery is going to live up the efficiency challenges that exist. Providing the same care, in the same facilities, in the same way won't deliver long term value for purchasers of health care. By and large, the investments we make today in the infrastructure of health care delivery will pay dividends in the future.

An aging population will require more care. Changing demographics, including the aging of baby boomers, and increased life expectancy, will fuel demand for health care. The Centers for Disease Control reports that life expectancy for the U.S. population reached a record high of 77 years of age in 2001, as mortality declined for several leading causes of death including heart disease and cancer.

We need to come together to create a vision of the future of health care. I don't think our community really wants to stifle the dramatic advancements that are being made every day in health care. That is why banning the expansion of health care services and facilities would do great harm to health care delivery in Wisconsin, and still not do anything to address the workforce shortage or government payor shortfalls.

But the real opportunity lies in finding better ways to care for the small percentage of the population that make up the majority of the system's cost. Much of this cost can be avoided, if we are creative, innovative, and courageous.

G. Edwin Howe
President